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**THIRD CANADIAN GENERAL INVESTMENT
TRUST LIMITED**

1975

Annual Report

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THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Board of Directors

ALEX E. BARRON

T. R. MEIGHEN, Q.C.

D. L. CAMPBELL

E. LOUISE MORGAN

A. BRUCE MATTHEWS, C.B.E., D.S.O.

JOHN C. RYKERT

M. C. G. MEIGHEN, O.B.E.

PATRICK O. G. WRIGHT

Officers

M. C. G. MEIGHEN, O.B.E. *Chairman of the Board*

ALEX E. BARRON *President*

JOHN C. RYKERT *Treasurer*

E. LOUISE MORGAN *Secretary*

PATRICK O. G. WRIGHT *Assistant Treasurer*

Auditors

PRICE WATERHOUSE & CO. Toronto

Registrar and Transfer Agent

THE CANADA TRUST COMPANY Toronto and Montreal

Office of Company

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) - Toronto

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

To The Shareholders:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1975 consisting of the Balance Sheet, and Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

The Balance Sheet discloses that the total assets of the Company as at December 31, 1975 amounted to \$36,950,762. From this amount is deducted the total liabilities of the Company, namely \$2,159,170 which leaves a net value of \$34,791,592. After deducting the First Preferred Shares Series "A" at the call price of \$52.50, namely, \$2,898,525, each of the 1,837,190 common shares outstanding as at December 31, 1975 had an apparent equity value of approximately \$17.36. It should be noted that while \$2.1 million in deferred income taxes was deducted from total assets in calculating the equity value per share, the \$2.1 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates part or all of these deferred taxes to be paid to the government.

The Statement of Income discloses that your Company, after paying all expenses, had a net income for the year of \$1,910,154. After providing \$138,947 for dividends on the First Preferred Shares the balance of net income, namely, \$1,771,207 was equivalent to \$0.96 for each of the outstanding Common Shares.

During 1975, cash dividends totalling \$138,947 were paid or declared on the First Preferred Shares Series "A". The common shareholders received dividends of \$1,726,958 or \$0.94 per share. These dividends were paid out of the Company's 1971 Surplus Accounts and are not subject to income tax in the hands of the shareholders. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of such shares.

A schedule showing the percentage of the dividends paid out tax-paid undistributed surplus and 1971 capital surplus is set out below. This information is submitted for the benefit of Canadian Corporations which are shareholders of the Company.

<u>Date</u>			<u>Tax-Paid Undistributed Surplus</u>	<u>1971 Capital Surplus</u>
March	14, 1975	- - - - -	—	100%
June	13	- - - - -	.25%	99.75
September	12	- - - - -	.02	99.98
December	16	- - - - -	.67	99.33

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. A dividend in the amount of \$0.20 per common share, tax-deferred in the hands of the shareholders, has been declared payable March 16, 1976 to shareholders of record February 27, 1976.

The portfolio of investments as at December 31, 1975 is to be found on page 9 of this report.

Submitted on behalf of the Board.

M. C. G. Meighen

Chairman of the Board

Alex E. Bann

President

TORONTO, January 27, 1976.

Balance Sheet

	December 31	
	1975	1974
Assets		
Investments at indicated market value (Note 1):		
Securities having a quoted market value - - - - -	\$35,551,311	\$28,591,529
Securities not having a quoted market value - - - - -	1,348,182	494,145
	<u>36,899,493</u>	<u>29,085,674</u>
(Cost as at—		
December 31, 1975—\$14,925,316		
December 31, 1974—\$14,605,251)		
Short-term investments, at cost plus accrued interest - - - - -	25,322	—
Income taxes recoverable - - - - -	—	383
Dividends receivable - - - - -	13,005	—
Cash in bank - - - - -	12,942	244,818
	<u>\$36,950,762</u>	<u>\$29,330,875</u>
Liabilities and Shareholders' Equity		
Accrued liability - - - - -	\$ 3,600	\$ —
Dividend payable - - - - -	34,570	35,084
Deferred income taxes (Note 4(ii)) - - - - -	2,121,000	—
Shareholders' equity:		
Capital stock (Note 2)—		
Authorized—		
118,477 first preferred shares of the par value of \$50 each, issuable in series		
52,628,930 3% non-cumulative second preferred shares of the par value of 5¢ each redeemable at the amount paid up thereon		
2,000,000 common shares of no par value		
Issued and outstanding—		
55,210 (1974—56,135) \$2.50 cumulative first preferred shares Series A redeemable at \$52.50 per share - - - - -	2,760,500	2,806,750
1,837,190 common shares - - - - -	9,185,950	9,185,950
	<u>11,946,450</u>	<u>11,992,700</u>
Contributed surplus, realized on purchase for cancellation of first preferred shares (including \$20,246 arising during the year ended December 31, 1975)	71,277	51,031
Unrealized gain on investments - - - - -	19,853,177	14,480,423
Retained earnings, including \$163,350 (1974—\$117,100) appropriated under Section 62 of the Canada Corporations Act - - - - -	2,920,688	2,771,637
	<u>34,791,592</u>	<u>29,295,791</u>
	<u>\$36,950,762</u>	<u>\$29,330,875</u>

APPROVED BY THE BOARD:

A. BRUCE MATTHEWS, *Director*
M. C. G. MEIGHEN, *Director*

Auditors' Report to the Shareholders of

Third Canadian General Investment Trust Limited:

We have examined the balance sheet of Third Canadian General Investment Trust Limited as at December 31, 1975 and the statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1975 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at December 31, 1975.

January 16, 1976

PRICE WATERHOUSE & Co.
Chartered Accountants

INVESTMENT TRUST LIMITED

Statement of Income

	Year ended December 31	
	1975	1974
Income:		
Dividends - - - - -	\$ 1,992,159	\$ 1,860,482
Interest - - - - -	14,060	20,733
	<u>2,006,219</u>	<u>1,881,215</u>
Expenses:		
Management fees - - - - -	73,224	89,383
Directors' fees (Note 3) - - - - -	1,450	850
Miscellaneous - - - - -	21,391	14,041
	<u>96,065</u>	<u>104,274</u>
Net income for the year - - - - -	<u>\$ 1,910,154</u>	<u>\$ 1,776,941</u>
Net income for the year per common share (after deducting preferred dividends) -	<u>\$ 0.96</u>	<u>\$ 0.89</u>

THIRD CANADIAN GENERAL

Statement of Retained Earnings

	Year ended December 31	
	1975	1974
Balance at beginning of year - - - - -	\$ 2,771,637	\$ 2,645,048
Add:		
Net income for the year - - - - -	1,910,154	1,776,941
Gain on investments sold or redeemed (Note 4(iv)) - - - - -	104,802	52,444
	<u>4,786,593</u>	<u>4,474,433</u>
Less:		
Dividends paid or declared—		
On first preferred shares Series A - - - - -	138,947	141,184
On common shares - - - - -	1,726,958	1,561,612
	<u>1,865,905</u>	<u>1,702,796</u>
Balance at end of year - - - - -	<u>\$ 2,920,688</u>	<u>\$ 2,771,637</u>
Dividends paid or declared per share:		
Preferred - - - - -	<u>\$ 2.50</u>	<u>\$ 2.50</u>
Common - - - - -	<u>\$ 0.94</u>	<u>\$ 0.85</u>

Statement of Unrealized Gain on Investments

	Year ended December 31	
	1975	1974
Increase (decrease) during the year - - - - -	\$ 7,493,754	\$ (7,951,554)
Less: Deferred income taxes applicable thereto - - - - -	2,121,000	1,399,100
	<u>5,372,754</u>	<u>(6,552,454)</u>
Balance at beginning of year - - - - -	14,480,423	21,032,877
Balance at end of year - - - - -	<u>\$19,853,177</u>	<u>\$14,480,423</u>

I N V E S T M E N T T R U S T L I M I T E D

Statement of Changes in Net Assets

	Year ended December 31	
	1975	1974
Net assets at beginning of year - - - - -	\$29,295,791	\$35,753,079
Add:		
Net income for the year - - - - -	1,910,154	1,776,941
Gain on investments sold or redeemed - - - - -	104,802	52,444
Gain on purchase for cancellation of first preferred shares - - - - -	20,246	22,077
Increase in unrealized gain on investments - - - - -	5,372,754	—
	<u>36,703,747</u>	<u>37,604,541</u>
Less:		
Decrease in unrealized gain on investments - - - - -	—	6,552,454
Dividends paid or declared—		
On first preferred shares Series A - - - - -	138,947	141,184
On common shares - - - - -	1,726,958	1,561,612
First preferred shares Series A purchased for cancellation - - - - -	46,250	53,500
	<u>1,912,155</u>	<u>8,308,750</u>
Net assets at end of year - - - - -	<u>\$34,791,592</u>	<u>\$29,295,791</u>
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$14,605,251	\$14,358,914
Add: Purchase of investments during year - - - - -	404,394	474,776
	<u>15,009,645</u>	<u>14,833,690</u>
Less: Cost of investments at end of year - - - - -	14,925,316	14,605,251
Cost of investments sold or redeemed during year - - - - -	84,329	228,439
Proceeds from sale or redemption of investments during year - - - - -	189,131	280,883
Gain on investments sold or redeemed - - - - -	<u>\$ 104,802</u>	<u>\$ 52,444</u>
Apparent liquidating value per common share (after deducting outstanding preferred shares at call price):		
At beginning of year - - - - -	<u>\$ 14.34</u>	<u>\$ 17.83</u>
At end of year - - - - -	<u>\$ 17.36</u>	<u>\$ 14.34</u>

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Notes to the Financial Statements

DECEMBER 31, 1975

1. The indicated market values of quoted securities are the result of pricing the Company's holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
2. During the year ended December 31, 1975, 925 \$2.50 cumulative first preferred shares Series A were purchased for cancellation.
3. The aggregate remuneration of 3 of the 8 directors was \$1,450 (1974—\$850). The remaining 5 directors, who are also the 5 officers of the Company, are employees of the management company and did not receive any remuneration as directors or officers of Third Canadian General Investment Trust Limited.
4. Taxation:
 - (i) The Company does not qualify as an "investment corporation" as defined in Section 130 of the Canadian Income Tax Act; accordingly, it is subject to income tax as a "public corporation". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
 - (ii) Unrealized gain on investments includes approximately \$4,581,000 which has accrued since December 31, 1971. In addition, the parent company has received dividends of \$4,350,896 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. Provision for deferred income taxes on these unrealized gains, after applying approximately \$246,525 of non-capital losses carried forward, has been made in the accounts.
 - (iii) As at December 31, 1975, the Company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian tax authorities, to be as follows:

	(a) Tax paid undistributed surplus (Section 89(1) (k))	(b) 1971 capital surplus
Balance at beginning of year - - - - -	\$ 933	\$ 2,511,584
Dividends received - - - - -	3,417	1,444,800
Capital surplus realized on investments sold or redeemed - - - - -	—	105,520
Tax-deferred dividends paid on common shares - - - - -	(4,350)	(1,722,608)
Balance at end of year - - - - -	<u>\$ —</u>	<u>\$ 2,339,296</u>

The Company may elect to pay dividends out of both categories (a) and (b). Such dividends are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable capital gains accrued since December 31, 1971 which have been offset for income tax purposes by expenses of \$6,800 charged in the statement of income. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$3,500 otherwise payable on the gains should have been charged to retained earnings with a corresponding increase in net income for the year. This practice has not been followed since it would give an unfair presentation of the net income for the year.

THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

Portfolio of Investments

December 31, 1975

Class	No. of Shares	Class	No. of Shares
Alcan Aluminum Ltd. - - - - Common	5,000	International Nickel Co. of Canada Ltd. - - - - - "A" Common	7,500
Algoma Steel Corp. Ltd. - - - Common	20,000	Interprovincial Pipe Line Limited - - - - - Common	20,000
Argus Corporation Ltd. - - - "C" Prefd.	120,000	Kenting Limited - - - - - Common	15,000
Bank of Montreal - - - - - Common	3,000	London Life Insurance Co. - - Common	1,100
Bank of Nova Scotia - - - - - Common	3,500	MacMillan Bloedel Limited - - Common	10,000
C.G.I. and Third Venture Capital Limited - - - - - Common	10,000	Moore Corporation Ltd. - - - Common	40,000
C.G.I. and Third Venture Capital Limited - - - - - Prefd.	500	The Ravelston Corp. Limited - Common	5,270
Canada Packers Ltd. - - - - - "C" Common	17,000	The Ravelston Corp. Limited - Prefd.	69,773
Canadian General Investments Ltd. - - - - - Common	1,248,464	Rio Algom Mines Ltd. - - - Common	12,000
Canadian Tire Corp. Ltd. - - - "A" Prefd.	5,000	Royal Bank of Canada - - - Common	5,000
Canvil Ltd. - - - - - - - Common	5,500	Scotts Restaurants Ltd. - - - Common	10,000
Cominco Limited - - - - - Common	10,000	The Seagrams Company Limited Common	40,000
Dominion Foundries & Steel Ltd. - - - - - - - "A" Common	25,000	Shell Canada "A" - - - - - Common	9,000
Extencicare Ltd. - - - - - Common	20,000	Simpsons Ltd. - - - - - - - Common	48,000
Glendale Corporation - - - - - Common	10,100	Southam Press Ltd.- - - - - "A" Common	4,000
*Halliburton Company - - - Common	1,000	Steel Co. of Canada Ltd. - - - "A" Common	12,000
Hudson Bay Oil & Gas Co. Ltd. Common	2,000	D.A. Stuart Oil Co. Ltd. - - - Common	4,000
The Huron & Erie Mortgage Corporation - - - - - - - "A" Common	68,000	Toronto-Dominion Bank - - - Common	5,600
Imperial Oil Ltd. - - - - - "A" Common	11,000	TransCanada PipeLines Ltd. - Common	3,000
		Trizec Corporation Ltd. - - - Common	15,000

*American Corporation listed on The New York Stock Exchange.

